

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-11 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 SS-15 NSC-05 SSO-00 NSCE-00 INRE-00

ITC-01 L-03 H-02 /078 W

----- 005333

O R 181635Z FEB 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4030

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USMISSION GENEVA

USDEL MTN GENEVA

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E. O. 11652: N/A

SUBJECT: MEETING OF SUB-GROUP ON TRADE

REF: (A) STATE 29154 (B) BRASILIA 1287 (C) STATE 8583

1. SUMMARY: ECON COUNSELOR DISCUSSED U.S. PROPOSAL FOR SUB-GROUP MEETING WITH BOTH FOREIGN MINISTRY AND MINISTRY OF FINANCE. BOTH CABRAL DE MELLO (ITAMARATY) AND DORNELLES (FINANCE) WERE POSITIVE TO IDEA OF MARCH MEETING. PREVIOUS DISCUSSIONS HELD BY ECON COUNSELOR WITH ROUANET (WHO IS ON CABRAL DE MELLO'S STAFF) REVEALED, HOWEVER, THAT THIS POSITIVE FEELING MAY NOT BE SHARED AT LOWER LEVELS. CABRALLLO LEFT THE CLEAR IMPRESSION THAT HE WOULD RECOMMEND IN FAVOR OF SUCH A MEETING AND PROMISED A DEFINITE GOB REPLY SHORTLY. END SUMMARY.

1. ON FEBRUARY 16, ECON COUNEELOR CALLED ON AMBASSADOR CABRAL DE MELLO, HEAD OF THE FOREIGN MINISTRY'S ECONOMIC  
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DEPARTMENT, TO PRESENT US PROPOSAL FOR WASHINGTON MEETING OF THE SUB-GROUP ON TRADE MARCH 11-12,

LEAVING INFORMAL TALKING POINTS BASED ON REFTELS (A) AND (C). COUNSELOR ALSO PROPOSED THAT TEXTILE TALKS BE DEFERRED BY ONE WEEK, STRESSING THAT USG WOULD WISH TO AVOID FURTHER SLIPPAGE OF THESE NEGOTIATIONS BEYOND MARCH 15.

2. COUNSELOR STRESSED THAT US SIDE ATTACHES SOME URGENCY TO AN EARLY MEETING OF THE SUB-GROUP, IN LIGHT OF DEVELOPMENTS IN GENEVA AS WELL AS IN THE BILATERAL TRADE RELATIONSHIP SINCE LAST OCTOBER. IN US VIEW, FORMAT OF THE OCTOBER MEETING, PERMITTING A FULL AND SYSTEMATIC EXCHANGE BETWEEN SENIOR TRADE OFFICIALS FROM VARIOUS MINISTRIES ON BOTH SIDES, HAD BEEN SUCCESSFUL, AND WE HOPED THAT SIMILAR FORMAT COULD BE ADOPTED FOR THE WASHINGTON TALKS. THE US ENVISAGED THAT THE AGENDA SHOULD AGAIN BE IN TWO PARTS, INCLUDING A REVIEW OF CURRENT ISSUES IN THE MTN AND EXTENSIVE, IN-DEPTH DISCUSSION OF BILATERAL TRADE ISSUES.

3. CABRAL DE MELLO SAID HE THOUGHT A SECOND MEETING OF THE SUB-GROUP WOULD BE VERY USEFUL. US-BRAZILIAN RELATIONS IN THE TRADE AREA HAD DETERIORATED SINCE OCTOBER, AND WERE GETTING WORSE. MORE AND MORE SERIOUS DIFFICULTIES WERE CLEARLY LYING AHEAD. HE PERSONALLY FAVORED THAT THESE ISSUES BE ADDRESSED CANDIDLY TO SEE WHAT COULD BE DONE. HE THEREFORE FAVORED TAKING ADVANTAGE OF ROUANET'S PRESENCE IN WASHINGTON TO CONVENE THE GROUP. HE ALSO NOTED TREASURY SECRETARY SIMON'S FORTHCOMING VISIT AND COMMENTED POSITIVELY ON THE OPPORTUNITIES WHICH THIS VISIT WOULD OFFER FOR AN ADDRESS OF THE BILATERAL TRADE ISSUES BETWEEN FINANCE MINISTER SIMONSEN AND SECRETARY SIMON. WITH RESPECT TO THE SECRETARY OF STATE'S FORTHCOMING VISIT, CABRAL DE MELLO NOTED THE IMPORTANCE OF TRADE ISSUES IN THE RELATIONSHIP BUT GAVE NO CLEAR INDICATION AS TO HOW FAR BRAZILIAN SIDE WOULD PLAN TO GO IN PRESSING THESE ISSUES WITH THE SECRETARY. (IN A SIDE COMMENT, HE SAID THAT THE ECONOMIC MINISTERS WOULD PRESUMABLY WISH TO ADDRESS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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THESE ISSUES.)

4. IN RESPONSE TO A QUESTION ABOUT A DEFINITE GOB REPLY, CABRAL DE MELLO SAID HE HOPED TO BE BACK "IN TIME" BUT MADE CLEAR HE WOULD RECOMMEND ACCEPTANCE OF THE US PROPOSAL FOR A MEETING.

5. ON FEBRUARY 17, ECON COUNSELOR AND FINATT CALLED ON FRANCISCO DORNELLES OF THE FINANCE MINISTRY TO MAKE THE SAME POINTS ADDRESSED TO CABRAL DE MELLO. EMBASSY

DECIDED TO MAKE THIS PRESENTATION TO THE MINISTRY OF FINANCE FOR TWO REASONS: (A) FINANCE MINISTRY HAS BEEN INTIMATELY INVOLVED IN THE COUNTERVAILING DUTY CASES AND (B) IT HAS TAKEN, AT LEAST UP TO NOW, A MORE REALISTIC AND PRAGMATIC APPROACH TOWARD BILATERAL TRADE PROBLEMS WITH THE U.S.. DORNELLES HAS BEEN THE KEY FIGURE IN THE MINISTRY INVOLVED IN THESE MATTERS, AND HIS PARTICIPATION IN A MEETING IN WASHINGTON WOULD BE VERY HELPFUL.

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6. DORNELLES WAS OPEN TO THE IDEA OF A MEETING IN MARCH BUT DEFERRED TO THE FOREIGN MINISTRY FOR THE FINAL DECISION. HE DID, HOWEVER, MAKE TWO SPECIFIC POINTS: (1) HE WOULD RECOMMEND THAT SUCH A MEETING BE SMALL; HE SAID THAT LARGE MEETINGS DO NOT ACCOMPLISH MUCH; AND (2) HE WOULD LIKE TO KNOW IN GREATER DETAILS WHAT THE DISCUSSIONS WOULD BE ALL ABOUT; HE INDICATED THAT HE HAS HAD A NUMBER OF MEETINGS WITH U.S. OFFICIALS ON BILATERAL TRADE PROBLEMS, ONLY TO BE TOLD THAT THERE IS NO

FLEXIBILITY IN THE U.S. POSITION BECAUSE OF OUR  
VERY STRICT LEGAL REQUIREMENTS.

7. COMMENT: ECON COUNSELOR ALSO INFORMALLY EXPLORED  
THE SUBJECT OF A SUB-GROUP MEETING WITH ROUANET TWO  
WEEKS AGO, RECALLING THE AGREEMENT REACHED LAST ONTOBER  
FOR A MEETING IN A JANUARY-FEBRUARY TIME FRAME.  
AT THAT TIME, ROUANET WAS NOT VERY POSITIVE, RAISING  
SOME DOUBTS WHETHER THERE WERE SUFFICIENTLY NEW  
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DEVELOPMENTS IN THE MTN TO WARRANT A SUB-GROUP  
MEETING. HE CLEARLY DID NOT THINK OF USING THE GROUP  
FOR A DISCUSSION OF BILATERAL ISSUES AND SINCE  
THE COUNSELOR WAS NOT INSTRUCTED HE DID NOT PRESS  
THE MATTER AT THE TIME. CONSEQUENTLY, WHILE  
CABRAL DE MELLO MAY FAVOR SUCH DISCUSSIONS IN  
MARCH, THIS FEELING MAY NOT BE SHARED BY SOME KEY  
PEOPLE ON HIS STAFF, AND THIS MAY AFFECT BOTH THE  
TIMING AND THE NATURE OF THE REPLY. EMBASSY,  
HOWEVER, BELIEVES THAT CABRAL DE MELLO'S VIEW WILL  
PREVAIL UNLESS IT IS OVERTURNED AT THE MINISTERIAL  
LEVEL.  
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## Message Attributes

**Automatic Decaptioning:** X  
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**Copy:** SINGLE  
**Draft Date:** 18 FEB 1976  
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**Disposition Approved on Date:**  
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